



House of Representatives

General Assembly

File No. 289

February Session, 2016

House Bill No. 5520

House of Representatives, March 30, 2016

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-663 of the 2016 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective October 1, 2016*):

4 The following words and phrases, as used in sections 38a-663 to
5 38a-696, inclusive, shall have the following meanings unless the
6 context otherwise requires:

7 (1) "Rating organization" means an individual, partnership,
8 corporation, unincorporated association, other than an admitted
9 insurer, whether located within or outside this state, who or that has as
10 a primary object or purpose the making of rates, rating plans or rating
11 systems. Two or more admitted insurers that act in concert for the
12 purpose of making rates, rating plans or rating systems, and that do
13 not operate within the specific authorizations contained in sections

14 38a-667, 38a-669, 38a-670 and 38a-672 shall be deemed to be a rating
15 organization. No single insurer shall be deemed to be a rating
16 organization.

17 (2) "Advisory organization" means every group, association or other
18 organization of insurers, whether located within or outside this state,
19 that assists insurers or rating organizations in rate-making by the
20 collection and furnishing of loss or expense statistics, or by the
21 submission of recommendations, provided the term shall not include
22 actuarial, legal or other consultants.

23 (3) "Member" means an insurer that participates in or is entitled to
24 participate in the management of a rating, advisory or other
25 organization.

26 (4) "Subscriber" means an insurer that is furnished at its request (A)
27 with rates and rating manuals by a rating organization of which it is
28 not a member, or (B) with advisory services by an advisory
29 organization of which it is not a member.

30 (5) "Wilful" and "wilfully" in relation to an act or omission that
31 constitutes a violation of sections 38a-663 to 38a-681, inclusive, means
32 with actual knowledge or belief that such act or omission constitutes
33 such violation and with specific intent to commit such violation.

34 (6) "Market" means the interaction between buyers and sellers
35 consisting of a product market component and a geographic market
36 component, as determined by the commissioner in accordance with the
37 provisions of subsection (b) of section 38a-687.

38 (7) "Noncompetitive market" means a residual market or a market
39 for which there is a ruling in effect pursuant to section 38a-687, that a
40 reasonable degree of competition does not exist.

41 (8) "Competitive market" means a market that has not been found to
42 be noncompetitive pursuant to section 38a-687.

43 (9) "Personal risk insurance" means homeowners, tenants, private

44 passenger nonfleet automobile, mobile manufactured home and other
45 property and casualty insurance for personal, family or household
46 needs except workers' compensation insurance.

47 (10) "Homeowners insurance" means property and casualty
48 insurance for owner-occupied buildings with four or fewer dwelling
49 units.

50 [(10)] (11) "Commercial risk insurance" means insurance within the
51 scope of sections 38a-663 to 38a-696, inclusive, that is not personal risk
52 insurance.

53 [(11)] (12) "Supplementary rate information" includes any manual or
54 plan of rates, classification, rating schedule, minimum premium, rating
55 rule, and any other similar information needed to determine the
56 applicable rate in effect or to be in effect.

57 [(12)] (13) "Supporting information" means (A) the experience and
58 judgment of the filer and the experience or data of other insurers or
59 organizations relied upon by the filer, (B) the interpretation of any
60 statistical data relied upon by the filer, and (C) descriptions of methods
61 used in making the rates, and other similar information required to be
62 filed by the commissioner.

63 [(13)] (14) "Residual market" means an arrangement for the
64 provision of insurance in accordance with the provisions of section
65 38a-328, 38a-329 or 38a-670.

66 Sec. 2. Section 38a-316d of the general statutes is amended by
67 adding subsection (d) as follows (*Effective October 1, 2016*):

68 (NEW) (d) The declination, cancellation or nonrenewal of a
69 homeowners insurance policy or a limit on the amount or provisions of
70 coverage of such policy is prohibited if the declination, cancellation,
71 nonrenewal or limit is based on (1) the property's proximity to another
72 occupied residential dwelling, or (2) the condition of such other
73 occupied residential dwelling.

74 Sec. 3. Subsection (a) of section 38a-343 of the general statutes is
75 repealed and the following is substituted in lieu thereof (*Effective*
76 *October 1, 2016*):

77 (a) No notice of cancellation of a policy to which section 38a-342
78 applies shall be effective unless sent, by registered or certified mail, [or
79 by mail evidenced by a certificate of mailing, or delivered by the
80 insurer] return receipt requested, to the named insured, and any third
81 party designated pursuant to section 38a-323a, at least forty-five days
82 before the effective date of cancellation, except that (1) where
83 cancellation is for nonpayment of the first premium on a new policy, at
84 least fifteen days' notice of cancellation accompanied by the reason for
85 cancellation shall be given, and (2) where cancellation is for
86 nonpayment of any other premium, at least ten days' notice of
87 cancellation accompanied by the reason for cancellation shall be given.
88 No notice of cancellation of a policy that has been in effect for less than
89 sixty days shall be effective unless mailed or delivered by the insurer
90 to the insured and any third party designee at least forty-five days
91 before the effective date of cancellation, except that (A) at least fifteen
92 days' notice shall be given where cancellation is for nonpayment of the
93 first premium on a new policy, and (B) at least ten days' notice shall be
94 given where cancellation is for nonpayment of any other premium or
95 material misrepresentation. The notice of cancellation shall state or be
96 accompanied by a statement specifying the reason for such
97 cancellation. Any notice of cancellation for nonpayment of the first
98 premium on a new policy may be retroactive to the effective date of
99 such policy, provided at least fifteen days' notice has been given to the
100 insured and any third party designee and payment of such premium
101 has not been received during such notice period.

102 Sec. 4. Subsection (a) of section 38a-335 of the general statutes is
103 repealed and the following is substituted in lieu thereof (*Effective*
104 *October 1, 2016*):

105 (a) (1) Each automobile liability insurance policy shall provide
106 insurance in accordance with the regulations adopted pursuant to

107 section 38a-334 against loss resulting from the liability imposed by law,
 108 with limits not less than those specified in subsection (a) of section 14-
 109 112, for damages because of bodily injury or death of any person and
 110 injury to or destruction of property arising out of the ownership,
 111 maintenance or use of a specific motor vehicle or motor vehicles within
 112 any state, territory, or possession of the United States of America or
 113 Canada.

114 (2) No such policy shall impose a minimum amount of coverage
 115 greater than the amounts specified in subsection (a) of section 14-112
 116 as a condition to issue or renew such policy.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2016	38a-663
Sec. 2	October 1, 2016	38a-316d
Sec. 3	October 1, 2016	38a-343(a)
Sec. 4	October 1, 2016	38a-335(a)

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill makes changes to the statutes regarding homeowners and automobile insurance policies, which do not result in a fiscal impact to the state or municipalities.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 5520*****AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES.*****SUMMARY:**

This bill makes several unrelated changes to the statutes governing homeowners and automobile insurance policies.

It prohibits insurers from declining, cancelling, limiting, or not renewing a homeowners insurance policy based on a property's proximity to another occupied residential dwelling or that dwelling's condition. Currently, regulations allow insurers to consider the condition of adjacent or nearby properties when underwriting a policy only when objectively identifiable hazards associated with the properties significantly increase the risk (Conn. Agencies Reg. § 38a-824-3(a)(6)).

By law, an insurer cancelling an automobile insurance policy must issue a cancellation notice to the insured before the cancellation takes effect. The bill requires the insurer to send the notice by registered or certified mail, return receipt requested. Under current law, an insurer must notify the insured by registered or certified mail, mail evidenced by a certificate of mailing, or delivery to him or her (CGS § 38a-343). Another law allows certified mail with return receipt requested (CGS § 38a-344). A "certificate of mailing" is commonly understood to mean a document stamped by the post office showing items that were mailed.

The bill prohibits insurers from requiring an insured to purchase a minimum of automobile insurance higher than the minimum amount required by law. The law requires a driver to maintain insurance that covers at least \$20,000 per person and \$40,000 per accident for bodily injury and \$10,000 per accident for property damage (CGS § 14-112(a)).

Lastly, the bill codifies in statute the definition of homeowners insurance, which is currently in regulations (Conn. Agencies Reg. § 38a-824-2). “Homeowners insurance” is property and casualty insurance for owner-occupied buildings with four or fewer dwelling units.

EFFECTIVE DATE: October 1, 2016

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 12 Nay 7 (03/15/2016)